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Tax Features

Bush Budget Counters Congressional Family Tax Relief Plans

President Bush has released his new budget which contains several proposals to reduce taxes. But according to Tax Foundation analysis, the bottom line for the typical American family this year is that its tax burden will be higher than ever. A forthcoming Tax Foundation Issue Brief titled *The President's Fiscal Year 1993 Budget and its Impact on the American Family* examines the budget's overall effect on a family of two workers who earn $54,926 and have two dependent children. It goes on to compare the effect of President Bush's plan on this typical family with the likely impact of congressional proposals.

Tax Foundation economist Paul G. Merski testifies before the House Ways and Means Committee, presenting new research on the economic plight of the median American family.

Two workers earning $54,926 with two dependent children will face a federal tax bill of $16,608, or 30.2 cents out of every dollar they earn. (See related article on page 3.)

How the Family Spends What's Left

The family's first obligation after federal taxes is to state and local government. The average state/local take is 9.5 percent, bringing the portion that taxes take from the average family's income to a hefty 39.7 percent.

The family spends the bulk of its remaining disposable income on four items: housing and household expenses – 16.3 percent; food and tobacco – 11 percent; health - 8.8 percent; and transportation – 7.3 percent. After taxes and

See Bush Budget on page 4

FRONT BURNER

Bush Recovery Package Is Just What the Doctor Ordered

Sen. Robert Dole

At President Bush's request, I have introduced the Administration's "Economic Growth Acceleration Act of 1992." Along with the President's entire budget proposal, this legislation represents an ambitious plan with real substance, real vision, and real solutions for real people. The President's program features much-needed tax incentives for "working and earning America" to help get the economy moving again. Importantly, it does so without busting Congressional spending caps, without jacking up the federal budget deficit, and without putting our nation's security at risk.

The President's "Economic Growth Acceleration Act" contains seven key elements:

- A new $5,000 tax credit for first-time home buyers;
- Penalty-free IRA withdrawals;
- Real estate investment by pension funds;
- Passive loss relief for real estate;
- Job-creating growth incentives, such as a reduction in the capital gains tax rate;
- An investment tax allowance to help businesses purchase new equipment and create jobs; and
- Permanent simplification of the alternative minimum tax.

Let me note that the first four incentives I mentioned will help spark the sluggish real estate market, and help bring the dream of home ownership within the reach of more Americans. Furthermore, under the President's capital gains proposal, 60 percent of the people who will benefit have incomes under $50,000. In addition, the alternative minimum tax measure will curb administrative costs and headaches for many taxpayers.

See Dole on page 2

Senator Robert Dole, Kansas Republican, is Minority Leader in the U.S. Senate and a member of the Senate Finance Committee.

The opinions expressed in the Front Burner are not necessarily those of the Tax Foundation. Editorial replies are encouraged.

Tax Foundation

IN THIS ISSUE

Bush Budget & the American Family	1
"Front Burner"	1
How Federal Government Spends a Tax Dollar	3
Connecticut Tax Policy	6
International Tax Policy Conferences	7
Foundation Message	7

Dole from page 1

This is the first phase of the President's economic package. The second phase proposes additional measures that also mean real money for working Americans. The President's plan will reduce taxes on working families by increasing the personal exemption for dependent children by $500 from the current level of $2,3000.

The President also is seeking to repeal the so-called luxury tax, a phony soak-the-rich scheme that pushed American workers off the aviation and boat production lines and right onto the unemployment lines. Moreover, he has called for an extension of the targeted jobs tax credit, and a permanent research and development tax credit.

The President's program features much-needed tax incentives for "working and earning America" to help get the economy moving again. Importantly, it does so without busting Congressional spending caps, without jacking up the Federal budget deficit, and without putting our nation's security at risk.

President Bush already has initiated an automatic change to the income tax withholding schedule that will put dollars directly into the hands of hard-working middle-income taxpayers instead of into the pockets of Uncle Sam. American taxpayers should understand that this withholding tax relief plan is no gimmick — it is, in fact, real money.

Under the President's capital gains proposal, 60 percent of the people who will benefit have incomes under $50,000.

Every year, the federal government accepts interest-free loans from millions of working American families by withholding too much in taxes. In my view, the last thing the American people want to do is lend their big-spending friends in Congress any more of their hard-earned dollars. In fact, tax return data for 1990 shows that the federal government over-withheld about $70 billion. That means that Uncle Sam owed money to more than 80 million taxpayers.

The alternative minimum tax measure will curb administrative costs and headaches for many taxpayers.

Thanks to President Bush's innovative plan, working Americans will soon be putting more of their wages into their own pockets, instead of Uncle Sam's. Starting in March, millions of workers will see an immediate increase in their take-home pay. Nationwide, take-home pay of low- and middle-income Americans will jump by $25 billion over the next twelve months — that's real money.

The President also is seeking to repeal the so-called luxury tax , a phony soak-the-rich scheme that pushed American workers off the aviation and boat production lines and right onto the unemployment lines.

A major attraction of this withholding plan is that it is uncomplicated. In fact, taxpayers will not have to file any paperwork to take advantage of this Presidential initiative. That's right — no red tape, no aggravating forms, no phone calls to the IRS — the increase in take-home pay is automatic. Workers who use the withholding system as a kind of "forced savings account" may continue to do so by merely notifying their employers to withhold an additional amount to be refunded later.

This adjustment of the tax code may mean smaller tax refunds in 1993, but according to the IRS, nearly nine out of every ten taxpayers who currently receive a refund will still get one.

Critics say this adjustment will not make much of a difference. I say, let the American people decide if they like this plan. If you ask me, working Americans work hard for each and every dollar they earn, and if they want to spend or save those dollars now, who are we to say they cannot?

President Bush already has initiated an automatic change to the income tax withholding schedule that will put dollars directly into the hands of hard-working middle-income taxpayers instead of into the pockets of Uncle Sam.

No one, including myself, will support every item in the President's budget plan; however, taken as whole, the Bush package provides just what the doctor ordered for our economy: tax relief, economic growth, and jobs.

In conclusion, I think it's time for Congress to roll up its sleeves and get to work. The President was right to give us a deadline for action — by March 20th, the President and the American people will expect us to get the job done. President Bush delivered, now it's up to Congress to do the same. ■

Every year, the federal government accepts interest-free loans from millions of working American families by withholding too much in taxes. In my view, the last thing the American people want to do is lend their big-spending friends in Congress any more of their hard-earned dollars. In fact, tax return data for 1990 shows that the federal government over-withheld about $70 billion.

New Bush Budget to Take $16,608 in Federal Taxes from Typical Family in 1992; Will Spend Over 80 Percent on Four Items

A forthcoming Issue Brief by the Tax Foundation shows that President Bush's new budget will take $16,608 in taxes from the typical American family in 1992 to help pay for its record-high federal spending of $1.5 trillion in FY'93. Titled *The President's Fiscal Year 1993 Budget and its Impact on the American Family*, the study examines the budget's effect on a family of two workers who earn $54,926 and have two dependent children.

The study shows that of the typical family's $16,608 federal tax payment, over 80 percent will be commandeered by just four federal spending categories:

• *Income Security*. This is the federal government's biggest bill — over half a trillion dollars. The $501.8 billion that the federal government will spend in this category is primarily Social Security, but it also includes federal retirement and unemployment compensation. Since these income security programs will claim 33 cents from each dollar the American family sends to Washington, the per-family total is $5,411.

• *National Defense*. President Bush is calling for $291 billion in defense spending, still the second largest expenditure in the budget. The family's defense tab this year will be $3,138 — or 19 cents out of each tax dollar.

The rate of growth in health spending is reaching such astonishing levels, rising more than 11 percent in FY'93, that it has even surpassed the fast-rising interest on the debt. Both of these categories promise to outstrip defense spending should recent growth trends continue.

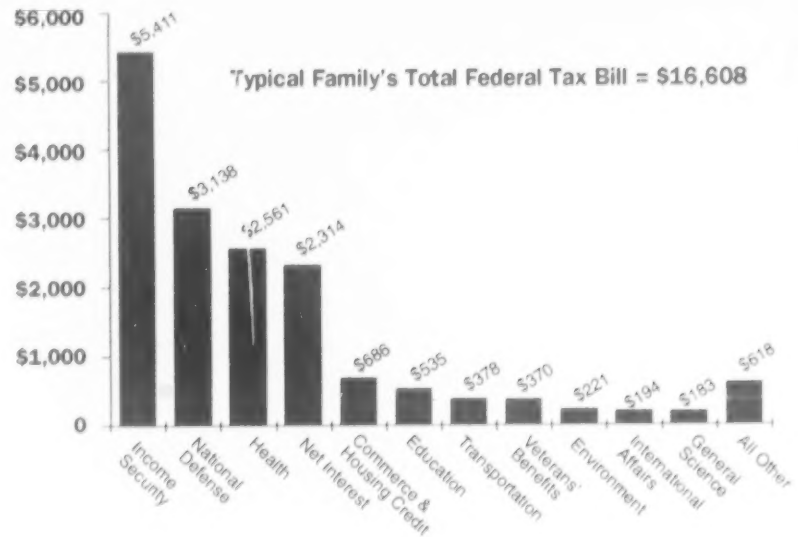
• *Health Outlays*. This skyrocketing expense, comprised mainly of Medicare and Medicaid, will take 15 cents of each tax dollar. The typical family will send Uncle Sam $2,561 in 1992 to pay for the $237.5 billion national health bill.

• *Interest on the National Debt*. Ranking fourth at $214.6 billion, net interest costs account for 14 cents of the family's tax dollar, or a whopping $2,314 per year.

In 1992, these four items alone will cost the typical family $13,424, or 81 cents of each tax dollar. Most notably, the rate of growth in health spending is reaching such astonishing levels, rising more than 11 percent in FY'93, that it has

See Federal Gov't Spending on page 8

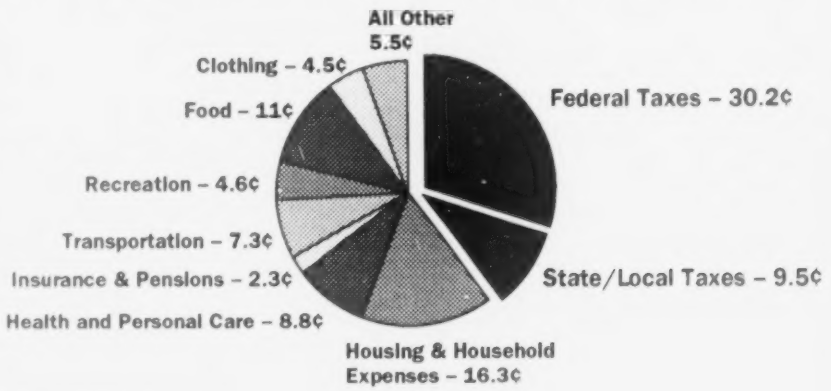
How the Federal Government Will Spend the Typical Family's Tax Payment in 1992[a]



Function	Family's Share: Amount	Family's Share: Percent of Total	Total Spending ($Billions)
Income Security (b)	$5,411	32.58%	$501.8
National Defense	3,138	18.89	291.0
Health (c)	2,561	15.42	237.5
Net Interest	2,314	13.93	214.6
Commerce and Housing Credit	686	4.13	63.6
Education, Training, Employment, Social Services	535	3.22	49.6
Transportation	378	2.28	35.1
Veterans' Benefits and Services	370	2.23	34.3
Environment and Natural Resources	221	1.33	20.5
International Affairs	194	1.17	18.0
General Science, Space and Technology	183	1.10	17.0
Agriculture	169	1.02	15.7
Administration of Justice	166	1.00	15.4
General Government	151	0.91	14.0
Community and Regional Development	82	0.49	7.6
Energy	50	0.30	4.6
Total (d)	$16,608	100.00	$1,498.3

(a) This example uses a median two-earner family earning $54,926 per year with two dependent children.
(b) Primarily social security. Includes federal employee retirement, unemployment compensation, and nutrition assistance. Excludes veteran's income security.
(c) Primarily Medicare and Medicaid. Excludes veteran's health care.
(d) After deducting $42 billion in undistributed and offsetting receipts not classified by function.
Source: Tax Foundation computations based on Fiscal Year 1993 U.S. Budget presented January 29, 1992, and 1992 tax laws from U.S. Department of Treasury.

How A Typical American Family Will Spend a Dollar in 1992



Source: Tax Foundation

Table 1

1992 Major Federal Tax Relief Proposals' Impact on Typical American Family (a)

Proposal	Family Income (b)	Income Tax	Social Security Tax	Total Tax	Net Savings
Current Law	$54,926	$6,469	$4,202	$10,671	-
Bush	54,926	6,189	4,202	10,391	$280
Bentsen	54,926	5,309	4,202	9,511	1,160
Bradley	54,926	5,769	4,202	9,971	700
Coats/Grassley/Wolf	54,926	5,542	4,202	9,744	927
Dreier	54,926	5,318	4,202	9,520	1,151
Gore/Downey	54,926	6,157	4,202	10,359	312
Gramm/Gingrich	54,926	6,469	4,202	10,671	(c)
Kasten/Weber	54,926	5,169	4,202	9,371	1,300
Moynihan (d)	54,926	6,469	3,927	10,396	275
Packwood	54,926	5,822	4,202	10,024	647
Rostenkowski	54,926	6,069	4,202	10,271	400
Roth	54,926	4,776	4,202	8,978	1,693
Schulze	54,926	5,797	3,653	9,450	1,221
Walker	54,926	4,852	4,202	9,054	1,617
Wallop/DeLay	54,926	6,469	3,708	10,177	494

	Capital Gains (e)		Net Savings
Bush	54,926	5,839	630
Bumpers	54,926	5,769	700
Gramm/Gingrich	54,926	6,049	420
Kasten/Weber	54,926	5,819	650
Schulze	54,926	6,049	420
Walker	54,926	6,007	462
Wallop/DeLay	54,926	5,819	650
House Republican Conference Committee	54,926	6,049	420

Savings from First-Time Home Buyer Tax Credit

	1992	1993
Bush ($5,000 over 2 years)	$2,500	$2,500

(a) First-year impact of direct changes in the personal income tax, employee Social Security tax, personal exemption, personal tax credits, and deductible IRA investments.
(b) Estimated median two-earner income for married couple household. File joint return; two dependent children ages 4 and 7. Family invests $2,000 in new deductible IRA account.
(c) Plan allows tax-free withdrawal of IRA and $1,000 tax credit for first time home-buyer not examined in this example.
(d) Additional future reductions in the payroll tax rate are scheduled.
(e) Example assumes $5,000 in fully qualifying capital gains included in the $54,926 income.

Source: Tax Foundation.

Bush Budget from page 1

these expenditures, less than 17 percent of the family's income is available for such items as recreation, clothing, personal insurance and pensions.

How the Plans Stack Up

As part of his budget, President Bush has unveiled a tax relief plan to compete with the many congressional plans introduced in recent months. The President's plan relies heavily on a higher personal exemption for dependent children, a tax preference for capital gains, and a generous credit for first-time home purchases.

Capital Formation and Savings

Bush would reduce the capital gains tax rate by providing an exclusion that would vary depending upon how long an asset is held. The maximum exclusion would be 45 percent for assets held for more than three years; 30 percent for assets held more than two years; and 15 percent for those held at least a year. Under this proposal, the top capital gains tax rate for assets held more than three years would drop from 28 to 15.4 percent. The capital gains tax rate for those in the 15-percent individual income tax rate bracket would be 8.25 percent.

In addition, the President's proposal would make investment in new equipment more attractive for business by providing an additional first-year depreciation allowance equal to 15 percent of the purchase price of newly acquired equipment. This provision would apply only to property acquired on or after February 1, 1992, and before January 1, 1993, and placed in service before July 1, 1993. Moreover, the adjusted current earnings depreciation adjustment, under the alternative minimum tax, would not be required for firms that place new equipment in service on or after February 1, 1992. Thus, regular tax depreciation rules would apply for purposes of the alternative tax.

The President's proposal would increase the incentives for investment in economically distressed areas (enterprise zones) by providing a refundable tax credit for qualified employee wages, eliminating capital gains on eligible zone property, and allowing expensing for certain capital investments in enterprise

zone businesses.

Individuals would be permitted to establish flexible IRAs to which they could make nondeductible contributions of up to $2,500 in the account for at least seven years prior to withdrawal, then withdrawals would not be taxed.

Finally, the research and experimentation tax credit would be made permanent.

Tax Relief for Real Estate and Home Buyers

One of the most controversial provisions in the President's plan would generally exempt from the passive loss restrictions a person's active real estate development operations. Also, several technical changes are proposed to facilitate the extent to which pension funds can invest in real estate. Moreover, mortgage revenue bond authority and the low-income housing tax credit would be extended for 18 months.

Despite the prospect for tax relief, however, taxpayers are facing an extra $52 billion in recently legislated tax increases for 1992. States passed $17 billion in new taxes — in some states more than $200 per person — while $35.4 billion in new federal tax collections will kick in from the passage of the Omnibus Budget Reconciliation Act (OBRA), signed into law by President Bush on November 5, 1990.

A key provision designed to stimulate housing construction would allow first-time home buyers to receive a tax credit equal to 10 percent of the purchase price of a home ($5,000 maximum credit) spread evenly over two years. The credit would be available for purchases on or after February 1, 1992 and before January 1, 1993. In addition to this tax credit, first-time home buyers could withdraw up to $10,000 from their IRAs (without penalty) to purchase a home.

Finally, home owners who incur capital losses on the sale of their personal residences would be allowed to claim casualty loss deductions. Thus, a capital loss on the sale of a personal residence would be partially deductible.

Expiring Tax Provisions

The research and experimentation tax credit would become permanent, as would the "orphan drug" credit. The mortgage revenue bond program, the low-income housing tax credit, small issue bond authority for loans to first-time farmers, the targeted jobs tax credit, business energy tax credits, and the health insurance deduction for self-employed individuals would be extended 18 months (through December 31, 1993).

The President's plan would repeal the excise tax on boats and airplanes.

Tax Relief for Families and Individuals

Several provisions in the President's tax package are aimed toward providing tax relief for families and individuals.

- The personal exemption for depen-

See Bush Budget on page 6

Table 2

1992 Major Federal Tax Relief Proposals' Impact on Typical American Family (a)

Proposal	Family Income (b)	Income Tax	Social Security Tax	Total Tax	Net Savings
Current Law	$30,000	$2,220	$2,295	$4,515	-
Bush	30,000	2,070	2,295	4,365	$150
Bentsen	30,000	1,320	2,295	3,615	900
Bradley	30,000	1,520	2,295	3,815	700
Coats/Grassley/Wolf	30,000	1,360	2,295	3,655	860
Dreier	30,000	1,728	2,295	4,023	492
Gore/Downey	30,000	1,310	2,295	3,605	910
Gramm/Gingrich	30,000	2,220	2,295	4,515	(c)
Kasten/Weber	30,000	920	2,295	3,215	1,300
Moynihan (d)	30,000	2,220	2,145	4,365	150
Packwood	30,000	1,998	2,295	4,293	222
Rostenkowski	30,000	1,820	2,295	4,115	400
Roth	30,000	1,536	2,295	3,831	684
Schulze	30,000	1,860	1,995	3,855	660
Walker	30,000	1,665	2,295	3,960	555
Wallop/DeLay	30,000	2,220	2,025	4,245	270

	Capital Gains (e)		Net Savings
Bush	30,000	1,882	338
Bumpers	30,000	1,845	375
Gramm/Gingrich	30,000	1,995	225
Kasten/Weber	30,000	1,845	375
Schulze	30,000	1,995	225
Walker	30,000	1,972	248
Wallop/DeLay	30,000	1,845	375
House Republican Conference Committee	30,000	1,995	225

Savings from First-Time Home Buyer Tax Credit

	1992	1993
Bush ($5,000 over 2 years)	$2,500	$2,500
Bob Graham	2,000	
Gramm/Gingrich	1,000	
Walker	1,000	

(a) First-year impact of direct changes in the personal income tax, employee Social Security tax, personal exemption, personal tax credits, and deductible IRA investments.
(b) Estimated income for married couple household. File joint return; two dependent children ages 4 and 7. Family invests $2,000 in new deductible IRA account.
(c) Plan allows tax-free withdrawal of IRA and $1,000 tax credit for first time home-buyer not examined in this example.
(d) Additional future reductions in the payroll tax rate are scheduled.
(e) Example assumes $5,000 in fully qualifying capital gains included in the $30,000 income.

Source: Tax Foundation.

Bush Budget from page 6

dent children would be increased by $500 per child;

- Interest paid on student loans would be deductible;
- Families could deduct up to $3,000 of expenses incurred in connection with adopting a special-needs child;
- The amount of tax-free mass transit benefits that employers could provide to employees would be increased to $60 per month; and
- Wage withholding would be adjusted so that most married workers would receive $345 more during the year and most single workers would receive $172.50 more during the year.

Based on Tax Foundation analysis of new 1992 tax law, a typical American family taking full advantage of the higher exemption, the maximum capital gains benefit, and the home buyer's credit would reap more tax relief in one year, $3,410, from Bush's plan than from any congressional plan proposed (see table 1 on page 4). A typical family with a more modest income of $30,000 would save $2,988 in one year under the same circumstances (see table 2 on page 5).

The President's proposal would make investment in new equipment more attractive for business by providing an additional first-year depreciation allowance equal to 15 percent of the purchase price of newly acquired equipment.

Despite the prospect for tax relief, however, taxpayers are facing an extra $52 billion in recently legislated tax increases for 1992. States passed $17 billion in new taxes — in some states more than $200 per person — while $35.4 billion in new federal tax collections will kick in from the passage of the Omnibus Budget Reconciliation Act (OBRA), signed into law by President Bush on November 5, 1990. OBRA's tax increases included:

- creation of the 31 percent top marginal tax rate;
- rise in the Medicare wage cap from $51,300 in 1990 to $130,200 in 1992;
- five-cent increase per gallon in the motor fuel tax;
- permanent extension of the 3 percent telephone excise tax; and
- increased taxes on tobacco, beer, wine, and distilled spirits. ■

Foundation To Hold Connecticut State Tax Policy Conference March 31

The recent fiscal crisis in Connecticut has intensified the debate over sound tax and budget policies. To provide a forum for continuing this debate, the Tax Foundation will hold a half-day program featuring state fiscal policy experts from business, government, and academe on Tuesday, March 31, at the Stamford Marriott, Two Stamford Forum, in Stamford, Connecticut. Collaborating with the Foundation on the program are American Brands, Inc., the Southwestern Area Commerce & Industry Association of Connecticut, Inc. (SACIA), the Connecticut Business & Industry Association, and the Connecticut Policy & Economic Council. Speaking to the theme *Connecticut Tax Policy: The Outlook for Economic Growth*, the panelists will debate the underlying causes of the state's fiscal problems and propose viable solutions. The focus will be on specific tax provisions which enhance or impede Connecticut's stability and economic strength over the long term.

Connecticut is not alone in its fiscal woes, so the Foundation is sponsoring state tax policy programs around the country in order to share its findings with other states. ■

All Inquiries: Call Dee Dee Hannum 202-863-5454

8:30 a.m. **Registration/Coffee**

9:00 ***Welcome:***
Dan Witt
Executive Director, Tax Foundation

Session I — Connecticut's Ailing Fiscal Condition: Reasons and Remedies

Moderator
Thomas Appleby
News Director, Cablevision 12

Keynote Speaker
Edward J. Deak, Ph.D.
Chairman, Department of Economics
Fairfield University

William J. Cibes, Jr.
Secretary, Connecticut Executive Office of Policy and Management

Senator John B. Larson (D)
President Pro Tempore
Connecticut General Assembly

Senator William H. Nickerson (R)
Connecticut General Assembly

Eugene C. Gavin
Director of State & Local Taxes
Coopers & Lybrand

Session II — Mapping Out Long-Term Policies for Economic Growth

Moderator
Jacquelyn Durrell
First Selectman
Town of Fairfield

Nicholas S. Perna
Senior Vice President & Chief Economist
Connecticut National Bank

John Carson
President
Connecticut Policy & Economic Council

Frank J. Bianca
Vice President, Taxes
American Brands, Inc.
Member, Connecticut Economic Conference Board

Richard W. Genetelli
President
Genetelli & Associates

Robert K. Nellson
Tax Partner
Price Waterhouse

12:00-1:30 **Luncheon**
Speaker TBA

Registration Form

Connecticut Tax Policy Conference – $35
March 31, 1992 at the Stamford Marriott

Name _____

Company _____

Address _____

City _____ State _____ ZIP _____

Telephone _____ Fax _____

Tax Foundation Conferences in Western Europe Explore U.S. Tax Policy Problems

For the second year in a row, the Tax Foundation hosted an international taxation conference in Europe, which, by all

Daniel L. Lundy, Senior Vice President & Director - Taxes, ITT Corporation.

accounts, was a tremendous learning experience. In January, the Tax Foundation hosted meetings in London, Paris, Brussels, and Berlin. Their purpose was to bring together U.S. businesses, offi-

James Dobbins, U.S. Ambassador to the European Community.

cials from the U.S. Congress, foreign businesses, and foreign tax and trade officials to discuss common concerns relative to outbound and inbound investment. Major topics of discussion in-

See EC on page 8

FOUNDATION MESSAGE

Let's Send the Train Down the Right Track

Floyd Williams Chief Tax Counsel

Whenever Congress starts getting serious about tax legislation, we start hearing analogies, inside the beltway, about trains, such as "the train is getting ready to leave the station," or "only one train will be pulling out this year." The gist of these analogies is that once Congress starts moving on tax legislation, you had better be ready to act quickly. Otherwise, your special interest may get left behind and you may not have another chance to have it addressed for some time.

So far, Congress appears to be moving quickly on tax legislation in response to President Bush's challenge to enact an economic growth package by March 20th. Does this mean that tax legislation will be enacted by this deadline? That is not likely; however, the options should all be on the table by then. From what we have seen of the options thus far, the train might be well advised to stay in the station awhile longer. In fact, it might not be disastrous if no tax legislation were enacted this year if it means raising the tax burden or shifting it among different segments of the population — a point many noted economists already have made.

Certainly, the President's State of the Union Message contained several good ideas. For example, who would argue that working families should not be entitled to some measure of Federal tax relief? (Why then, you might ask, did President Bush strip the increase in personal exemptions for dependent children from the first tax package he sent to the Congress?) Furthermore, most people would agree that the Tax Reform Act of 1986 was unduly harsh on the real estate sector of the economy. In fact, there is no doubt that the subsequent devaluation of property, along with the decrease in construction activity, helped to fuel the current recession and played a major part in the demise of the financial services sector.

The House Democrats already have taken their first shot at a tax package and, like the President, have come up with several good ideas. For example, they would provide a tax credit for working individuals and families, index capital gains for inflation, provide limited relief from the passive loss rules for active real estate developers, and make the research and development tax credit permanent. However, many of the positive changes would be offset by the addition of a fourth individual income tax rate bracket of 35 percent and an increase in the individual alternative minimum tax to 25 percent.

Offering tax relief to the middle class by reshuffling the tax burden among income classes cannot do much for long-term economic growth. Furthermore, Congress should couple its efforts at tax relief with measures to control spending.

The 1986 Tax Act weeded the code of many "loopholes" in order to bring down both the individual and corporate income tax rates. The budget agreement in 1990 resulted in some backsliding. Are we ready so soon to raise taxes again on individuals?

Hopefully, the economy is beginning to show signs of a recovery. Moreover, interest rates and inflation rates are relatively low. Maybe the Congress would be well-advised to wait awhile rather than risk the real possibility of eliminating entirely the rate reductions promulgated in the Tax Reform Act of 1986. But if the economy does not pick up and Congress continues its rush to legislate, then hurry and hop aboard the tax legislation train before it pulls out of the station.

EC from page 7

cluded impediments to foreign investment in the U.S., particularly the recordkeeping requirements of Internal Revenue Code Section 6038A, the likely impact of the European Community's unification on the ability of U.S.-owned businesses to compete in Europe, the experience of European countries with the value-added tax, and the need to coordinate tax and trade policies. A detailed report of the issues raised at the 1992 U.S.-European International Taxation Conference will be available soon.

Major topics of discussion included impediments to foreign investment in the U.S., particularly the recordkeeping requirements of Internal Revenue Code Section 6038A.

Congressional staff who attended this year's conference included representatives from the congressional tax-writing committees and staff to key members of those committees. Corporate participants in this year's conference were: Brown & Williamson Tobacco, Inc., Glaxo, Inc., Xerox Corporation, BASF Corporation, Citicorp/Citibank, NA, ITT Corporation, Rhone-Poulenc, Inc., and Nestle Holdings, Inc. ■

Federal Gov't Spending from page 3

even surpassed the fast-rising interest on the debt. Both of these categories promise to outstrip defense spending should recent growth trends continue.

Spending on all other programs pales in comparison. With the remaining 19 cents, Uncle Sam will spend 3 cents of the family's tax dollar on education, and less than 3 cents each on environment, transportation, science, and administration of justice. (See graphic on page 3 for more detail.)

An estimated $353 billion deficit will eventually cost the typical American family thousands of dollars in interest payments and future debt repayment.

The Family's Direct vs. Indirect Taxes

Direct federal taxes — individual income and personal Social Security taxes — will cost the typical family $10,671 in 1992. However, direct levies are by no means the whole tax burden, accounting for only about three-fifths of what the government takes in. To these must be added such indirect taxes as the employer's share of Social Security taxes; corporate income taxes; excise taxes on such items as gasoline, liquor, and tobacco, and miscellaneous levies, which account for another $5,937.

Direct and indirect federal taxes will claim 30.2 percent of this family's annual income, but even that does not tell the whole story because the federal government spends much more than just the tax dollars it collects. An estimated $353 billion deficit will eventually cost the typical American family thousands of dollars in interest payments and future debt repayment.

The study also includes analysis on how the typical family spends the money it has left after taxes, and how President Bush's economic growth plan compares to major congressional proposals. ■

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